FILE COPY

Office - Supreme Court, U. S.
FILED
APR 5 1950
CHARLES ELMORE CROPLEY
CLERK

# Supreme Court of the United States

**OCTOBER TERM 1949**

---

**No. 495**

---

ANHEUSER-BUSCH, INCORPORATED,
*Petitioner,*

against

DU BOIS BREWING COMPANY,
*Respondent.*

---

## PETITIONER'S REPLY BRIEF

---

WALLACE H. MARTIN,
MINTURN DE S. VERDI,
WALTER J. HALLIDAY,
*Counsel for Petitioner.*

## TABLE OF CONTENTS


PAGE

POINT II OF RESPONDENT'S ARGUMENT ..... 2

The Finding of Fraud ..... 2

Fraud in the Inception ..... 3

The Finding of Recent Supervening Fraud ..... 4

POINT III OF RESPONDENT'S ARGUMENT ..... 12

POINT IV OF RESPONDENT'S ARGUMENT ..... 16

CONCLUSION ..... 21

APPENDIX—Errors in Respondent's Counterstatement of the Case ..... 23

"Budweiser" Is Not a Type Name ..... 23

Adverse Uses Did Not Affect Petitioner's Trade-Mark Rights in "Budweiser" ..... 24


## CASES CITED


Ambrosia Chocolate v. Ambrosia Cake Bakery, 165 F. (2d) 693 (C. C. A. 4, 1947) ..... 15

American Clay Mfg. Co. v. American Clay Mfg. Co., 198 Pa. 189, 47 Atl. 936 (S. Ct. Pa., 1901) ..... 19

American Steel Foundries v. Robertson, 269 U. S. 372, 380 (1926) ..... 13

Bemis v. U. S., 289 U. S. 22, 34 (1932) ..... 17

Brown v. Commissioner of Internal Revenue, 18 L. W. 2414 (C. A. 3, 1950) ..... 9

Cage v. Cage, 74 F. (2d) 377 (C. C. A. 5, 1934) ..... 20

Dwinnell-Wright Co. v. Whitehouse Milk Co., 132 F. (2d) 822, 825 (C. C. A. 2, 1943) ..... 14

PAGE

Faulkner v. Gibbs, 338 U. S. 267, 268 (1949) ..... 1

French Republic (Republique Francaise) v. Saratoga Vichy Spring Co., 191 U. S. 427 (1903) ..... 10, 13, 14

Hartman v. Cohn, 350 Pa. 41; 38 Atl. (2d) 22 (S. Ct. Pa., 1944) ..... 13

Klepser v. Furry, 289 Pa. 152, 159; 137 Atl. 175, 177 (S. Ct. Pa., 1927) ..... 13

Landers, Frary & Clark v. Universal Cooler Corp., 85 Fed. (2d) 46 (C. C. A. 2, 1936) ..... 15

McLean v. Fleming, 96 U. S. 245 (1877) ..... 13

National Bank of Athens v. Shackelford, 239 U. S. 81, 82 (1915) ..... 1

Orvis v. Higgins, 18 L. W. 2363 (C. A. 2, 1950) ..... 9

Peardon v. Chapman, 169 F. (2d) 903, 913 (C. A. 3, 1948) ..... 20

Portuondo Cigar Mfg. Co. v. Vicente Portuondo, 222 Pa. 116; 70 Atl. 968, 976 (1908) ..... 13

Republique Francaise (French Republic) v. Saratoga Vichy Spring Co., 191 U. S. 427 (1903) ..... 10, 13, 14

Saxlehner v. Eisner, 179 U. S. 19 (1900) ..... 10, 13

Saxlehner v. Nielson, 179 U. S. 43 (1900) ..... 10

Schuckman v. Rubenstein, 164 F. (2d) 952, 958 (C. C. A. 6, 1947) ..... 20

Swan Land and Cattle Co. v. Frank, 148 U. S. 603, 612 (1893) ..... 20

Turner v. Kirkwood, 62 F. (2d) 256, 259 (C. C. A. 10, 1932) ..... 17

U. S. v. Yellow Cab Co., 338 U. S. 338, 342 (1949) ..... 12

Youngs Rubber Corporation v. Lee, 45 F. (2d) 103 ..... 19

# Supreme Court of the United States

**OCTOBER TERM 1949**

**No. 495**

ANHEUSER-BUSCH, INCORPORATED,
*Petitioner,*

against

DU BOIS BREWING COMPANY,
*Respondent.*

## PETITIONER'S REPLY BRIEF

Respondent devotes approximately the first third of its brief to discussing whether "Budweiser" is a type name. This question is not open for consideration on this petition since the Court of Appeals affirmed (R. 5320, 5321) the District Court's finding 22 (R. 923a) that "The word 'Budweiser' is not now and never has been used as the name of a type of beer." Under the well settled rule of this Court concurrent findings are not reviewable.[1] But, in case the Court is interested in the facts with respect to the type-name issue, they are discussed in the appendix hereto (infra, p. 23).[2]

[1] *Faulkner* v. *Gibbs*, 338 U. S. 267, 268 (1949); *National Bank of Athens* v. *Shackelford*, 239 U. S. 81, 82 (1915).

[2] In Point I of its argument, respondent complains of the length of the petition with special reference to the number of questions presented. These questions are all real and substantial but they were not all given as reasons for allowance of the writ, or even discussed in the brief. They are set forth, as indeed is required, so as to preserve the right later to urge them. The reasons for the length of the petition are explained (Petition, p. 37). We submit that Rule 38(2) was not intended to preclude an adequate presentation of issues based on nearly 15,000 pages of deposition and oral testimony introduced at a trial lasting five weeks.

## Point II of Respondent's Argument

### The Finding of Fraud

In Point II of its argument respondent claims that the petition raises "a false issue" by asserting that the majority opinion has failed to follow Rule 52(a).

The specific findings of the District Court, whether in the form of Findings of Fact or Conclusions of Law, which were reversed by the majority opinion of the Court of Appeals without a ruling that they were "clearly erroneous", and the misconception of the majority as to the scope of Rule 52(a) are discussed in the petition (pp. 27-37). This cannot be said to be a "false issue" and it is obvious that respondent's assertion to that effect is due to its inability to meet the showing made in the petition that the majority below misconceived the scope of Rule 52-a and also reversed findings which were not clearly erroneous.

Respondent states (p. 30) that petitioner uses the word "fraud" to identify two separate kinds of wrongdoing: (1) constructive fraud resulting from mere infringement, and (2) fraud resulting from deliberate false representation of respondent's product as that of petitioner's. This is inaccurate. Petitioner has drawn no distinction in respect of the character of respondent's fraud. The only distinction is in point of time.

The petition states (p. 27):

> "Respondent's fraud has two aspects, (1) so-called fraud in the inception, i.e., respondent's conduct in adopting the name 'DuBois Budweiser' in 1905, and (2) respondent's recent sales campaign and sales methods, which consisted of the misrepresentations listed in the Appendix hereto, and statements by its salesmen that its product could be sold on calls for 'Budweiser' simpliciter or for 'Bud', and denominating its product 'Budweiser' simpliciter and 'Bud' on its invoices."

**Fraud in the Inception**

Respondent claims that the District Court made no finding of initial fraud, fraud in the inception, despite the unmistakable language of a finding of ultimate fact (see Petition, pp. 27-28), but which is designated as Conclusion 10, that "From the beginning, defendant's (respondent's) use of 'Budweiser' and 'Bud' has been with knowledge of the rights of plaintiff (petitioner) and of plaintiff's predecessors and with the fraudulent purpose and intent of confusing and deceiving the public and of enabling defendant's product to be passed off as and for the product of plaintiff." It needs no argument to demonstrate that knowledge and intent are matters of fact.

The District Court and the Court of Appeals both found that at the time respondent began to use the word "Budweiser" it knew that the word "Budweiser" was the name of a brand of beer brewed by Anheuser-Busch (Finding 24, R. 923a). This finding was not based only on inference as respondent contends (p. 31) but was based primarily upon the testimony of respondent's brewmaster.[1] As early as 1904 he knew that "Budweiser" was the name of a famous brand of beer brewed by petitioner. At the time respondent brought out "Du Bois Budweiser" beer, the only "Budweiser" beer he knew of was "Budweiser" brewed by petitioner (R. 5299a-5300a).

What reason could respondent have had to adopt "Budweiser" as a part of the name for its beer? At the trial its excuse was that it adopted "Budweiser" to describe the type of beer which it made, but the District Court's Finding 22 (R. 923a) approved by the Court of Appeals (R. 5321), that "Budweiser" had never been the name of a type of beer, completely destroys this excuse. The fact

[1] The finding was also based on extensive sales and on the fact that "Budweiser" had been widely advertised as petitioner's trademark for beer long prior to 1905 in publications throughout the United States, including Pittsburgh newspapers which circulated in Du Bois where respondent's brewery was located (Plaintiff's Ex. 131, listing advertisements; T. 2028, 2032).

is, and respondent's first president, Frank Hahne, in 1906 so swore, that respondent adopted and used "Budweiser" as a part of respondent's trade-mark (not as a type name) not only on beer but also on ale and porter (Finding 26, R. 924a).

From the foregoing it is apparent that there is no basis for respondent's assertion (p. 31) that Conclusion 10 and Finding 24 were not findings of knowledge and of fraudulent intent and purpose and that they should be disregarded and the Court considered as having made only a finding of constructive fraud merely because of Conclusion 4, which is a conclusion of law of infringement.

Respondent's argument that there is no finding of initial fraud by reason of adoption and use of "Budweiser" is unfounded, as is discussed in the Petition (pp. 28-30). There was such a finding, and the majority opinion reverses this finding without holding it clearly erroneous.

**The Finding of Recent Supervening Fraud**

In discussing the recent supervening fraud respondent refers (p. 33) to misrepresentations alleged to have been observed by petitioner's investigators in 1940 to 1947 after the suit was commenced. It infers (p. 30) that all of petitioner's evidence of misrepresentations was collected after the suit was begun. Elsewhere (pp. 21, 24) it infers that petitioner in 1938 determined to get rid of respondent's competition before any evidence of misrepresentation had come to its attention. These inferences are erroneous. At least two of petitioner's distributors as early as 1937 informed petitioner that respondent's sales manager and distributors were representing that respondent's beer was "the original Budweiser" or making other misrepresentations (T. 12390, 12395, 13126-13127, 13139). In eleven instances misrepresentations made by respondent's salesmen or distributors were reported to petitioner prior to the filing of the complaint (April 20, 1940), including the mis-

representations that respondent's beer was "the original Budweiser" and that respondent's products could be supplied lawfully on calls for "Budweiser" (R. 5049a, 5051a, 5052a, 5053a, 5054a, 5108a, 5112a, 5135a-5136a, 5147a). The record further shows that prior to the filing of the complaint in this action (April 20, 1940) in more than forty instances respondent's wholesalers or retailers passed off respondent's beer on calls for "Budweiser." [1]

The fact is that in 1937 petitioner learned from its distributors that respondent's salesmen were representing that its beer was the original "Budweiser" and making other misrepresentations, and thereafter an investigation was made which disclosed, in addition to misrepresentation by respondent's salesmen, that numerous dealers would sell respondent's beer on calls for "Budweiser" and "Bud". It is true that a substantial part of the testimony with reference to misrepresentations and passing off was secured subsequent to the filing of the complaint, but this fact is important only as showing that respondent's salesmen continued their fraudulent acts even after the complaint was filed. Such continuance of wrongful acts after notice in itself constitutes additional fraud.

Respondent claims (pp. 33, 34)[2] that there was no finding of supervening fraud and, therefore, in this respect there was no finding for the majority opinion to reverse. First, respondent points to four important findings which it terms "immaterial" as showing fraudulent misrepresentation:

> 37. Defendant usually invoiced its beer labeled "Du Bois Budweiser" as "Budweiser" or "Bud".

---

[1] T. 1237, 1238, 1361, 1362, 1379, 1382, 1383, 1385, 1388, 1510, 1513, 1515, 1516, 1549, 1550, 1810.

[2] Respondent's brief (p. 24) also claims that "the testimony disclosed no case of fraudulent substitution of respondent's beer for that of petitioner * * * *" and that "* * * the trial judge made no finding of fact which sustains any of the various charges of fraud laid in the complaint".

38. In writing letters to defendant's salesmen, defendant's sales manager referred to its beer labeled "Du Bois Budweiser" as "Budweiser".

39. Defendant's distributors, in many instances, invoiced defendant's beer labeled "Du Bois Budweiser" as "Budweiser" or "Bud".

40. Many of defendant's wholesale distributors and retail dealers sold defendant's beer labeled "Du Bois Budweiser" on calls for "Budweiser" or "Bud" without explanation.

Respondent failed to refer to Findings 41 and 42, as follows:

"41. Members of the public, who for many years had believed the word 'Budweiser' was a brand name for a beer put out by Anheuser-Busch, ordered 'Budweiser' beer on draught and received beer from a tap on the handle of which were the words 'Du Bois Budweiser', which beer they believed to be plaintiff's.

"42. Members of the public, when receiving defendant's beer 'Du Bois Budweiser' on calls for 'Budweiser' draught beer were not likely to notice that the beer was taken from a tap labeled 'Du Bois Budweiser' or if they did notice such fact, nevertheless were likely to believe that the beer was plaintiff's beer" (R. 926a).

Respondent also failed to refer to the District Court's opinion, reading:

"When defendant used the trade name of another long in use as a part of its own name to designate its product, what was the natural result when retailers should handle defendant's beer? Some of them would deliver to the customer, on demand for 'Budweiser' or 'Bud' (its abbreviated common name), defendant's 'Du Bois Budweiser'. Was it not Budweiser? Credible witnesses have testified to such substitutions by retailer and wholesalers. And agents of defendant, seeking retailers as customers, were likely to, and in some cases have, suggested such substitutions as possible to their proposed customers.[1] Such substitutions may not

[1] Even respondent's own witness on cross-examintion so testified. Respondent's witness Crist testified that he visited retailers in

be prevented when draught beer was ordered at a bar, and confusion as to whose product it is may exist in the mind of a consumer even when defendant's 'Budweiser' is offered to him in one of defendant's bottles upon an order for 'Budweiser' or 'Bud'" (R. 938a-939a).

Finally, respondent failed to refer to the finding of ultimate fact which is included as a part of Conclusion 11, reading:

> "11. Defendant's fraud, in continuing its infringement of plaintiff's rights after prompt notice and the supervening fraudulent acts committed by defendant bar defendant from claiming laches" (R. 932a).

The above findings are findings of deliberate fraud. They show that respondent, instead of attempting to distinguish its beer under the name "Du Bois Budweiser," deliberately invoiced it and represented it as "Budweiser" and "Bud" and made other misrepresentations which, as the Court found in Findings 41 and 42, resulted in the public purchasing respondent's beer as petitioner's.

The record contains overwhelming proof of respondent's fraudulent substitutions and misrepresentations and the resulting public confusion.[1] Such proof was supplied by members of the public who were actual consumers, independent dealers having no connection with petitioner, respondent's former salesman, wholesale dealers, and

---

company with respondent's sales manager Young and that Young told the retailers that they could sell "Du Bois Budweiser beer as Budweiser because it was a Budweiser type of beer". Crist further testified "Mr. Young said, 'we have always manufactured this beer, and that is the name that it is designated by and if a man comes in here and says "give me a bottle of Budweiser" and you have Budweiser beer here, you can sell it to him'." Crist then testified that when Young said "you have Budweiser beer here" he was referring to the beer labeled 'Du Bois Budweiser'" (R. 5080a).

[1] The misrepresentations with references to the record are listed in the Appendix to the Petition (pp. 80-82) and are discussed in the Petition (pp. 30-34).

respondent's own witness in addition to reputable investigators employed by petitioner's counsel (R. 926a, 5001a-5159a, 5173a-5177a, Table I, Pet. Br. pp. 80-82). The District Court clearly found unfair competition by respondent (R. 938a, 940a).

The District Court found (Findings 10 and 13, R. 920a, 921a; Conclusion 1, R. 931a) that "Budweiser" had identified petitioner's beer since prior to respondent's first use. This fact was conceded by respondent's president (Petition p. 33). The majority opinion was expressly based on the assumption "that the word 'Budweiser' did acquire a secondary meaning as a product of Anheuser" (R. 5321). Under such circumstances the acts of respondent's agents in invoicing its beer as "Budweiser" and "Bud", rather than "Du Bois Budweiser", and in representing that its beer could be sold on calls for "Budweiser" and the acts of respondent's distributors in openly selling respondent's beer on calls for "Budweiser", together with the numerous other misrepresentations,[1] were, as the District Court found, deliberate fraud, and it was this finding which the majority opinion in effect disregarded.

The majority opinion below states (R. 5327):

> "A different situation would have been presented here if Anheuser had been able to produce convincing evidence that DuBois represented that DuBois Budweiser could be served when Anheuser Budweiser was ordered."

We submit that the District Court found exactly what the majority stated was required in the above quoted language and that the record fully supports the findings. The District Court found that "Budweiser" identified petitioner's beer and this fact was assumed by the majority. The District Court found on ample evidence as above pointed out, pp. 6-7, that respondent's agents suggested to retailers that they could "deliver to the customer on

[1] See references in previous footnote.

demand for 'Budweiser' or 'Bud' (its abbreviated common name), defendant's DuBois Budweiser" (R. 938a). These are findings that in reality respondent "represented that DuBois Budweiser could be served when Anheuser Budweiser was ordered."

The majority below reversed the two controlling findings of the District Court on fraud and change of position. In so doing, in the case of each finding the majority below failed to hold that it was "clearly erroneous" and was acting under a misconception as to the scope of Rule 52(a).[1] The decision below on each of these findings is equally important since error in either must mean a reversal. Respondent's Point II argues that Rule 52(a) is not here involved, but limits its discussion to the finding of fraud. In this connection it ignores the finding that refers to change of position. The petition (pp. 34-37) makes it clear that the majority reversed the District Court's findings that respondent had not changed its position without showing the ruling to be "clearly erroneous" and in disregard of the facts shown in the record.

In reversing the findings of the District Court on fraud and change of position, the majority below failed to follow the local law (Pennsylvania) as set out in the petition (pp. 38-44). Respondent's brief (pp. 36-48) is limited to a discussion of the local law applicable to the change of position finding. It does not discuss the local law applicable to the fraud finding.

Thus, respondent's brief offers no opposition to two of petitioner's positions, viz., (1) that the majority below erred in reversing, without holding clearly erroneous, the District Court's finding that respondent had not changed its position and was, therefore, barred from the defense of

---

[1] That the construction of Rule 52(a) continues to cause division and confusion is shown by numerous decisions handed down since the petition was filed, notably, *Brown* v. *Commissioner of Internal Revenue*, in the Third Circuit, announced February 28, 1950, with a dissenting opinion by Kalodner, J. (published in 18 U. S. Law Week 2414), and *Orvis* v. *Higgins*, in the Second Circuit, announced February 2, 1950, with a dissenting opinion by Chase, J. (published in 18 U. S. Law Week 2363 and 13 Fed. Rules Serv. 52a.42, Case 7).

estoppel, and (2) that the majority below failed to follow the local law (Pennsylvania) in reversing the District Court's finding of the ultimate fact that respondent was guilty of initial fraud and supervening fraud.

Respondent does not discuss the fraud finding in connection with its Point III which is concerned with the law of Pennsylvania, except that it inaccurately and incompletely restates (p. 36) what it alleges to be "one of the important questions" listed by the petition, so as to infer that if an infringer believes in his right to use his infringing mark he is not guilty of actual fraud. It cites the *Saxlehner* cases, 179 U. S. 19, 179 U. S. 43, and *Republique Francaise* (*French Republic*) v. *Saratoga Vichy Spring Co.*, 191 U. S. 427. None of these cases supports this doctrine.

Judge Goodrich in his dissenting opinion below (R. 5330) questions how far the rule that the intentional use of another's trade-mark is a fraud can be applied where it is claimed that the fraud prevents the operation of the defense of laches, and concludes "that what is really meant in talking about fraud and laches is that if the defendant is using the plaintiff's trade-marks to secure the substitution of his goods for those of plaintiff, this type of confusion will make the laches defense unavailable." His final conclusion is that respondent's acts as found by the District Court came within his qualification of fraud, which would bar the defense of laches. He mentioned the finding that defendant's agents had suggested possible substitution and the finding of substitution, particularly in the case of draught beer (R. 5331).

As stated in the petition (pp. 29-30), in actions for fraud, when falsity of representation and knowledge have been established, fraudulent intent will be inferred. In such actions it is not a justification that "the infringer believes in his right to use his infringing mark", as claimed by respondent in its brief (pp. 36-37).

Respondent argues that respondent honestly believed that the word "Budweiser" was not subject to exclusive appropriation but there is no finding to this effect and no proof

to support it. Even if it be assumed that respondent honestly believed that it had the right to use the term "Du Bois Budweiser" and that such belief would be a justification for using "Du Bois Budweiser" that would be no justification for its use of "Budweiser" simpliciter in representing that its beer could be sold on calls for "Budweiser".[1] Respondent knew even at the time it began to use "Du Bois Budweiser" that "Budweiser" was the famous trade-mark of petitioner's predecessor (R. 923a) and respondent's president in 1942 testified that "Budweiser" meant the product of Anheuser-Busch and that it was wrong to sell "Du Bois Budweiser" on a call for "Budweiser". It is significant that respondent's brief neither refers to this testimony, which was quoted at length in the petition (p. 33) nor makes any attempt to dispute it. In addition, the testimony of over 150 witnesses, many of whom appeared at the trial, proved that "Budweiser" meant petitioner (Petition, p. 40). There is no basis in the record for a holding that the District Court's finding of fraud by reason of respondent's recent representation that its beer could be sold on calls for "Budweiser" was clearly erroneous. Nor is there any basis for refusing to enjoin such unfair competition. Furthermore, there is ample support for the District Court's finding, which is approved in the dissenting opinion, that the fraud was sufficient to bar the defense of estoppel even as to the long use of "Du Bois Budweiser".

The District Court found that "from the beginning" respondent had "knowledge" and acted with a "fraudulent purpose and intent". The Court of Appeals concurs in the finding of knowledge but reverses the finding of fraud, although it admits in its opinion that respondent had

[1] Even if respondent's many years' use of "Du Bois Budweiser" be deemed to support its claim of honest belief in its right to use "Du Bois Budweiser", that does not apply to "Budweiser" simpliciter since respondent's beer was represented as "Budweiser" and other misrepresentations were made *only recently* in respondent's sales campaign.

"awareness of the business possibilities" that "unwary purchasers might buy its product rather than that of the Association".

Aside from its failure to observe Rule 52(a) in making this reversal, the language of the Court below indicates a clear misconception of law in that it holds that in spite of the deceptive effect of respondent's use of the term "Du Bois Budweiser" and respondent's knowledge thereof its conduct did not amount to fraud.

Respondent's argument on the fraud findings makes no attempt to show clear error in the reasoning and inferences of the District Court, nor does respondent show that it is not supported by evidence. It merely asserts that the District Court made no finding of fraud which, as we have shown above, is not the fact. What the majority below actually did with respect to the ultimate finding of fraud was to follow its own reasoning and adopt its own conclusion in preference to that of the District Court, and it did this without showing either clear error or lack of substantiating proof. This is not the function of a reviewing court under Rule 52(a) (Pet. pp. 38-40).[1]

## Point III of Respondent's Argument

Respondent refers (p. 37) to a "valid common-law trademark," apparently meaning technical trade-marks as distinguished from trade names or marks in which trade-mark rights exist by virtue of a secondary meaning, with the implication that the decision of the District Court rests upon the adjudication of "Budweiser" as a technical trademark, and with the further implication that under Pennsylvania law the rules (1) that laches in the sense of mere delay, will not bar injunctive relief against infringement, and (2) that where the infringer is guilty of fraud, even estoppel is no defense, is applicable only to cases involving "valid common-law", or technical trade-marks.

---

[1] *U. S.* v. *Yellow Cab Co.*, 338 U. S. 338, 342 (1949).

The distinction between a technical trade-mark and a trade name or mark having a secondary meaning is "not often material" [1] and it is wholly immaterial here. The Pennsylvania law recognizes no such limitation. *Klepser* v. *Furry*,[2] as quoted in respondent's brief (p. 39), refers to "suits for unfair competition *or* infringement". In the *Portuondo* case [3] the Pennsylvania Supreme Court rejected the defense of estoppel and enjoined the infringement of trade-mark rights in a family name, not a technical trade-mark. In *Hartman* v. *Cohn*,[4] where the Court made a similar ruling the mark involved was geographical, viz., "Dundee", and not a technical trade-mark. This Court, too, has applied the rule equally to trade names and technical trade-marks. *McLean* v. *Fleming*,[5] cited on this question in petitioner's brief (p. 66), was a suit to protect a personal name used as a trade-mark.

In the *Saxlehner* case [6] and in the *Vichy* case,[7] both cited by respondent, the rule under discussion was applied and the copying of labels was enjoined [8] notwithstanding that the trade-marks "Hunyadi" and "Vichy" respectively could not be protected because they had gone into the public domain and lost their distinctiveness.[9]

---

[1] *American Foundries* v. *Robertson*, 269 U. S. 372-380 (1926).

[2] 289 Pa. 152, 159; 137 Atl. 175, 177 (S. Ct. Pa., 1927).

[3] *Portuondo Cigar Mfg. Co.* v. *Vincente Portuondo*, 222 Pa. 116; 70 Atl. 968, 976 (1908).

[4] 350 Pa. 41; 38 Atl. (2d) 22 (S. Ct. Pa., 1944).

[5] 96 U. S. 245.

[6] *Saxlehner* v. *Eisner*, 179 U. S. 19 (1900).

[7] 191 U. S. 427.

[8] In the *Vichy* case the Circuit Court of Appeals granted an injunction against an unfair label (*Republique Francaise* v. *Saratoga Vichy Co.*, 107 Fed. 459, 461).

[9] The opinion of the Court below considers that it has distinguished the *Hunyadi* and *Vichy* cases on the issue of unfair competition by pointing out that in the present case, apart from the use of the name "Du Bois Budweiser", defendant's labels were not copied from petitioner's. However, that is a distinction without a difference because apart from the labels there was unfair competition in the present case as to which there was no laches, viz., the recent sales campaign of misrepresentations in which respondent represented that "Du Bois Budweiser" was "Budweiser" and could be sold on calls for "Budweiser".

In the present case there are no facts showing loss of distinctiveness of the petitioner's trade-mark [1] nor is it claimed that the name has gone into the public domain. The District Court found to the contrary (R. 921a, 931a, 939a) and the Court below so assumed (R. 5321). Consequently as regards the trade-marks, the facts in the *Hunyadi* and *Saratoga Vichy* cases are wholly different from the facts in the present case, but the rule under which the plaintiffs in those cases were held entitled to injunctions against unfair competition is applicable here. Respondent, nevertheless, relies on the *Hunyadi* and *Saratoga Vichy* cases as precedents on the trade-mark issue and ignores the injunctions granted in both cases against unfair competition.

The District Court found that respondent was guilty of fraud and that respondent had not changed its position. Unless *both* these findings were clearly erroneous, respondent's entire argument with respect to Pennsylvania law is irrelevant.

In both of respondent's "two important questions of Pennsylvania law" (Resp. Br., pp. 36, 37) innocence is assumed and almost the entire discussion depends on the rejection of the finding of fraud. Toward the end, however, respondent's argument on the law of Pennsylvania states that "where the delay is sufficiently great, or equities are sufficiently strong, even a showing of actual fraud will not prevent the operation of the estoppel," and cites two decisions by Circuit Courts of Appeals, neither of which in any way supports the statement (Resp. Br., p. 46). Both are clear cases of estoppel based not only on evidence of change of position but also on positive acts of acquiescence. In the decision for the Second Circuit, Judge Learned Hand said that "delay alone is as bad a defense when the newcomer's past user has been innocent as when it has been guilty," [2] and that estoppel must be proved, adding,

---

[1] See petitioner's brief, pp. 61-63.

[2] *Dwinnell-Wright Co.* v. *Whitehouse Milk Co.*, 132 F. (2d) 822, 825 (C. C. A. 2, 1943).

> "• • • conceivably, indeed, in the face of deliberate and continued palming off, not even the owner's assurance will be a defense although our language in *Landers, Frary & Clark* v. *Universal Cooler Corp.*, supra, 85 Fed. (2d) at page 49, should not be understood as definitely so holding." [1]

This is not even dictum to the effect that actual fraud will not prevent the operation of estoppel. In the case in the Fourth Circuit [2] there is no reference whatsoever to fraud, actual or presumptive. The citation of that case must be a mistake.

Respondent ignores the failure of the Court below to apply Pennsylvania law to the evidence of respondent's misrepresentations and false statements which the Court below characterizes as "puffing" but which, under Pennsylvania law, as well as under general law, constitute unfair competition and evidence of deliberate fraud (Petition, pp. 41, 70-72). The applicable Pennsylvania law relating to laches, estoppel and fraud is discussed in the petition and supporting brief (pp. 38, 65, 66).

The petition (p. 34) shows that the finding of fraud is supported by the evidence and that the Court below rejected this finding under a misconception as to the scope of Rule 52(a) and without holding it to be clearly erroneous. The petition also shows that in rejecting the finding of fraud the Court below failed to apply the Pennsylvania law under which the conceded proof of respondent's knowledge established respondent's fraudulent intent (see Petitioner's Brief, pp. 66-68).

There was no warrant for the Court of Appeals finding that respondent had changed its position. Respondent's brewery has always remained small. The size of its brewing kettle has been the same since 1909. The advertising

---

[1] Ibid.

[2] *Ambrosia Chocolate* v. *Ambrosia Cake Bakery*, 165 F. (2d) 693 (C. C. A. 4, 1947).

expense has been small and respondent failed to prove how much was spent on "Du Bois Budweiser" (See Petition, pp. 34-37).

Respondent's claim (Resp. Br., pp. 19-20) that it has always maintained distribution as far afield as New England or in territory of equivalent size is unfounded. Respondent's trading area has never included all parts of Pennsylvania, nor large parts of New York and New Jersey. It has included nothing in New England for over thirty years, and prior to Prohibition extended sporadically to only about a dozen towns in New England In Ohio and West Virginia, respondent's own claims are even more spotty. From the beginning, except in a small area in the immediate vicinity of respondent's brewery at Du Bois, Pennsylvania, the entire history of respondent's distribution of beer under the mark "Du Bois Budweiser" has been a "hit and run" proposition lacking in continuity and volume (see Table III, Respondent's Br. Appendix p. 11b; R. 5383-5403, 5408-5421; Pet. Br. p. 36).

As shown in the petition (p. 34), the action of the majority below in holding that respondent had changed its position was in disregard of the Court's obligations under Rule 52(a) and the "highly significant" evidence mentioned by Judge Goodrich in his dissenting opinion (R. 5330).[1]

## Point IV of Respondent's Argument

The failure of the Court below to define and to protect by injunction petitioner's surviving trade-mark rights in "Budweiser", its failure to consider on the merits the separate issues of unfair competition and of infringement of the trade-mark "Bud", and the effect of the dismissal of the

[1] Respondent does not dispute the assertion in the petition that under Pennsylvania law respondent was not entitled to rely upon the dismissal without prejudice of a previous suit (Pet. Br., pp. 59-60) and the fact that others had infringed is no defense (Pet. Br., pp. 68-69).

complaint with prejudice, are the most important of the questions relating to the departure of the Court below from the accepted and usual course of judicial proceedings discussed in Respondent's Point IV.

With regard to the failure of the Court below to provide for the definition of the "localized territory", beyond which respondent should not extend its use of "Du Bois Budweiser", respondent says, "There was no occasion to make such definition of status or territory, since the complaint contained no allegation or prayer which called for such definition" and that "there was no showing to the District Court that respondent was selling its products in places outside the general areas in which its sales had been made before suit was brought (Resp. Br., p. 50).

The complaint (par. 34, R. 21-A) alleges that "• • • defendant is now threatening to expand its use of 'Du Bois Budweiser' • • • where defendant's goods have never been sold before • • • ".[1] Petitioner necessarily prayed for relief without territorial limitation, and its prayer was granted by the District Court. The occasion for definition of territory did not arise until the Court below made its independent finding that respondent had acquired a territorially-limited good-will and the right to use "DuBois Budweiser" in "localized territory".

Petitioner's prayer for wider relief, in more general terms, is no reason for denial of relief appropriate to the facts as the Court below has found them.[2] A plaintiff whose prayer for general relief is granted by the trial court may urge, on appeal, that the decree awarding all that he claimed be sustained, and need not assert that, in any event, he was entitled to a part of that awarded to him. If on the appeal he fails to establish his full claim, neither his prayer for all nor his effort to sustain a decree as to all, is a reason why he should not be awarded relief to the part to which he is held entitled.[3]

---

[1] This allegation was proved (Petition, p. 46).

[2] *Bemis* v. *U. S.*, 289 U. S. 22, 34 (1932).

[3] *Turner* v. *Kirkwood*, 62 F. (2d) 256, 259 (C. C. A. 10, 1932).

As another reason for saying that there was no occasion to make provision for the definition of the "localized territory", respondent states that "petitioner knows the precise localities in which petitioner[1] operated before 1940" (Resp. Br., p. 50). Respondent here refers to a list entitled, "Sales of Du Bois Budweiser" (R. 5390-5421). By this argument, and by the reference to this list, respondent makes only more obvious the uncertainties and hazards created by the decision below. Does the sale of four half barrels of "DuBois Budweiser" in Garwood, New Jersey, in 1907 (R. 5301), mean that Garwood, New Jersey, is a part of the "localized territory", particularly since no sales are claimed by respondent in New Jersey since 1919, or do sales of "DuBois Budweiser", in quantities that are not indicated, in Springboro, Pennsylvania, from 1933 "intermittently" to 1937 (R. 5416) make Springboro, Pennsylvania, a part of the "localized territory"? The decision below with respect to the localized territory, rests not on intermittent sales of respondent's beer but on the presumption of the Court below that respondent "acquired over the period of years" a good will in "DuBois Budweiser" (R. 5325) and the acquisition and territorial extent of such a good will cannot be assumed or so readily proved. What quantity must have been sold? And over how long a period? And with what regularity? Does that sale of four half barrels in 1907 in Garwood, New Jersey, show that in 1940 there was in Garwood, New Jersey, a good will associated with respondent's beer?

Respondent has not committed itself to any territorial boundaries, nor even to the list to which it here refers or the list that it has annexed to its brief (Table III, Resp. Br., p. 11b). Respondent has made no promises not to continue the invasion of new territory. Under the theory of the decision below, invasion of new territory by respondent is infringement of petitioner's trade-mark. An injunction against such infringement, actual or threatened, is relief

[1] This appears to be an error. Respondent apparently is referring to the localities in which *respondent* operated before 1940.

that is essential to the present adjudication. The reasonableness of anticipating such infringement is demonstrated by the position taken by respondent in its brief in opposition to the petition and by the proof of respondent's attempt to extend its business prior to the institution of suit (Pet. p. 46), and is further supported by the evidence submitted in the petition to the Court below for leave to file a supplemental bill (R. 5423).

Respondent's unfair competition in its recent sales campaign and its infringement of the trade-mark "BUD" are unaffected by laches or estoppel, and under Pennsylvania law, petitioner is entitled to an injunction against their continuation regardless of proof of fraudulent intent.

> "There are two classes of cases involving judicial interference with the use of names, first, where the intent is to get an unfair and fraudulent share of another's business, and second, where the effect of defendant's action, irrespective of his intent, is to produce confusion in the public mind and consequent loss to the complainant. In both cases the courts of equity administer relief without regard to the existence of a technical trade-mark." [1]

Having given no consideration to the issue of unfair competition on the merits, the Court below did not hold the judgment of the District Court on this issue to be erroneous. The duty of the Court below under these circumstances has been summarized thus:

> "Where a judgment appealed from consists of distinct and independent matters, so that an erroneous portion thereof can be segregated from the parts that are correct, the Court will not set aside the entire judgment but only so much as is erroneous, leaving the residue undisturbed." [2]

---

[1] *American Clay Mfg. Co.* v. *American Clay Mfg. Co.*, 198 Pa. 189, 47 Atl. 936 (S. Ct., Pa., 1901).

[2] 5 C. J. S. 1416.

*Youngs Rubber Corporation* v. *Lee*, 45 F. 2d 103, 110 (C. C. A. 2, 1930), illustrates this practice, holding that the plaintiff had a valid

Respondent's statement (p. 51) that the unfair competition issue was "adjudicated adversely to petitioner and cannot be renewed in a later action" is correct only in so far as the dismissal of this complaint may have the effect of an adverse judgment. This applies also to the infringement of the trade-mark "Bud". Even where there has been no doubt that the effect of a judgment was dismissal without prejudice, the rule has been that it should be expressly so stated[1] and the omission of such a qualification from a decree has been corrected by this Court.[2] In a decision of the Court below, in another case, Rule 41(b) of the Rules of Civil Procedure is recognized as having "directly reversed equity's traditional doctrine that a dismissal without consideration of the merits is also without prejudice to the complainant".[3] Under Rule 41(b), the dismissal of a complaint operates as a dismissal on the merits and the correction of any abuse of discretion in dismissing a complaint, in whole or in part, with prejudice, is a substantial reason for granting certiorari. It may be too late to show in a new suit that the Court below gave no consideration on the merits to respondent's acts of unfair competition or to respondent's infringement of "Bud". Unless this Court orders the necessary qualification of the decree, petitioner may lose its right to the protection of its good will.

---

trade-mark, and that the illegality which was a ground for dismissing the complaint did not attach to such part of the business as related to goods that never became diverted to illegal use, adding "As to so much surely plaintiff is entitled to protection". It remanded the cause to the District Court for further proceedings.

[1] *Schuckman* v. *Rubenstein*, 164 F. (2d) 952, 958 (C. C. A. 6, 1947); *Cage* v. *Cage*, 74 F. (2d) 377 (C. C. A. 5, 1934).

[2] *Swan Land & Cattle Co.* v. *Frank*, 148 U. S. 603, 612 (1893).

[3] *Peardon* v. *Chapman*, 169 F. (2d) 903, 913 (C. A. 3, 1948).

## Conclusion

In reversing the District Court's decree, the Court below misconceived the scope of Rule 52(a), misapplied the local law, and acted in a manner not in accordance with the usual course of judicial proceedings. The District Court's decree, since it enjoined any use whatever of "Budweiser" or "Bud", in effect enjoined respondent from:

1. using the term "Du Bois Budweiser" in connection with its beer in (a) a localized territory, and in (b) all other territory;

2. using the trade-mark "Bud" in connection with its beer in (a) a localized territory, and in (b) all other territory;

3. using the trade-mark "Budweiser" apart from the term "Du Bois Budweiser" in (a) a localized territory, and in (b) all other territory;

4. making any of the false representations which are set forth in the appendix to the petition (pp. 80-82) in any territory.

The Court below was required to act within the proper scope of Rule 52(a) and to reverse findings of the District Court only where clearly erroneous. We submit that the proper application of Rule 52(a), the local law and the accepted course of judicial proceedings required the Court below to affirm the District Court's decree. Even though the Court below were justified in ruling that laches and estoppel amounting to a change of position on the part of respondent had been established, or that there was not sufficient fraud to bar the estoppel, either or both of such rulings would require only a modification of the decree below on point 1(a) above, so as not to enjoin the use of "Du Bois Budweiser" in localized territory. But neither one nor both of such rulings warrant the reversal of the District Court's injunction so far as it covers all the other above enumerated items 1(b), 2(a) and (b), 3(a) and (b), and 4.

For the reasons stated in the petition, brief and this reply brief, petitioner requests that a writ of certiorari be issued to review the judgment of the Court of Appeals for the Third Circuit in this action.

Respectfully submitted,

WALLACE H. MARTIN,
MINTURN DE S. VERDI,
WALTER J. HALLIDAY,
*Counsel for Petitioner.*

## APPENDIX

### ERRORS IN RESPONDENT'S COUNTERSTATEMENT OF THE CASE

Respondent's counterstatement contains errors and misstatements of material facts so numerous as to make a detailed reply impossible within the time and space available. Therefore, this reply is limited to the most glaring of the fundamental errors.

### "Budweiser" Is Not a Type Name

Respondent's counterstatement proceeds on a false premise and amounts to an attempt to overturn the basic fact found by both courts below; viz., that the word "Budweiser" is not now and never has been used as a name of a type of beer (R. 923a, 5320, 5321).

There was no descriptive use of "Budweiser" as a type name here or abroad. So far as the word "Budweiser" was used on insignificant importations of beer from Budweis, concededly subsequent to the first use by petitioner's predecessor,[1] it was used in the geographical sense of the Germanic genitive form of the word "Budweis", to which "er" was added to signify "of or from Budweis". There was no "Budweiser process" for making beer in Budweis or elsewhere in Europe (R. 373a, 402a). As used on the labels of petitioner's predecessors, "Budweiser process" signified no more than Mr. Busch's manipulations (R. 507a, 509a-510a).

---

[1] Respondent's brief (p. 8) states that "The European importations may have begun as early as 1872", but there is no proof of actual importations from Budweis prior to 1876, and no proof that any such beer was imported as "Budweiser". The breweries from Budweis have stipulated that importations of their products began subsequent to the first use by petitioner's predecessors (R. 180a-188a, 1378a).

It is no justification for respondent making beer in Du Bois, Pennsylvania and marking it "Du Bois Budweiser" that some geographical use of the word "Budweiser" was made on beer from Budweis, because respondent's beer did not come from Budweis. Nor has respondent's beer been made in the way beer was made in Bohemia (R. 937a-938a). Respondent's own brewmaster admitted that respondent's beer did not conform to beer made in Bohemia because respondent has always used adjuncts such as corn grits, the use of which was prohibited in Bohemia (R. 5299a-5301a). Respondent's purported test shows no similarity between respondent's beer and any "European original"; there is no mention of European beer in the Wahl-Henius report (Exs. OOO, PPP, QQQ; R. 437a—440a, 1115a-1120-a).

**Adverse Uses Did Not Affect Petitioner's Trade-Mark Rights in "Budweiser"**

The District Court in its findings 10 and 13 (R. 920a, 921a) and conclusion 1 (R. 931a) held that "Budweiser" had identified petitioner's beer since long prior to respondent's first use. The majority opinion is based on the assumption of this fact, and for that reason it is not here in issue. Nevertheless, respondent's brief discusses at length the facts bearing on this issue. It refers to testimony by Messrs. Conrad and Busch in early trade-mark cases. It claims (p. 40) that Mr. Busch had sampled the beer made in Budweis *in St. Louis,* prior to the first claimed use of "Budweiser" by petitioner's predecessors in 1876. The District Court found that Mr. Busch had been familiar with the European "Budweiser" beer from a time prior to 1876 (Finding 6, 919a), and Mr. Busch testified in 1894 that he made annual tests of imported "Budweiser" beer, and that he made the first test in 1868. It does not appear, however, where this test was made. In the same case, Mr. Busch testified:

> "The 'Budweiser' brewery at Budweis never brewed bottled beer until 1882; after the 'Budweiser' beer

brewed by me got a reputation in foreign countries, then they began to brew beer also for bottling purposes" (R. 513a).

Such testimony is not important here since it bears only on the reason for adopting the trade-mark "Budweiser" by petitioner's predecessors. The important time affecting petitioner's trade-mark rights here is not the year 1876, but the year 1905 when respondent began to use the word "Budweiser" in its name "Du Bois Budweiser".

Whatever Messrs. Conrad and Busch meant by their statements, and whatever their reasons may have been for making the beer, and for using the word "Budweiser" as a trade-mark on it, the fact is, as the Court found, that prior to 1905 when respondent began to use "Du Bois Budweiser", "Budweiser" was the trade-mark of petitioner's predecessors and was well known as such even as above pointed out by respondent itself.

The use of "Budweiser" as a trade-mark by petitioner and its predecessors has been substantially exclusive from 1876 to date, in this country, and throughout the entire period "Budweiser" has identified to the public generally only the beer made by Anheuser-Busch (R. 921a, 931a, 935a-936a, 939a, Pet. Br., Table II, pp. 83-95).

At the time respondent began to use the phrase "Du Bois Budweiser", respondent and not merely the deceased Frank J. Hahne knew that the word "Budweiser" was the celebrated trade-mark of Anheuser-Busch for its beer. Prior to 1905 there had been a number of sporadic infringements, none of which were in the immediate vicinity of respondent, or have been shown to have been then known to respondent. The fact is that all such infringements had been eliminated as a result of suit or protest by petitioner's predecessors (R. 920a-921a, 931a, 934a-936a).[1]

[1] Neither Wirtz nor Prospect were in the vicinity of respondent, nor is there any showing that respondent knew of them. Wirtz was the Newark agent of Magnus Beck, of Buffalo, and Prospect was located in Philadelphia, to both of whom petitioner's predecessor protested. In May 1903, Beck advised petitioner's predecessor that it

If there was any sale of beer in this country prior to 1905 under labels marked "Imported Budweiser", it was limited to a few scattered cities on the eastern seaboard, principally New York, Boston and Philadelphia, in inappreciable amounts, and the foreign breweries conceded the priority of petitioner's predecessor in the use of "Budweiser" as a trade-mark for beer, and in 1911 agreed to restrict their use of the word "Budweiser" to its geographical sense (R. 180a, 188a, 921a, 934a, 935a, 1378a, Exs. 101F, 101G).

Any use of the word "Budweiser" on the small amount of beer imported from Budweis between 1911 and Prohibition, was limited to indicating geographical origin (R. 921a). There was no such use during Prohibition (R. 5320) while petitioner's use of its trade-mark "Budweiser" on near beer, malt syrup, yeast and related products was extensive (R. 922a). For two years after repeal, beer from Budejovice was sold in small amounts on the east coast but only under the name "Nazdar"; petitioner protested promptly when the 1911 contracts were violated in 1936; and new agreements were executed in 1939 by which the breweries at Budejovice discontinued all use of "Budweiser", "Budweis", "Bud", or any similar terms (R. 923a).[1]

---

had "discontinued the use of your name 'Budweiser'." Prospect, as shown by respondent's testimony, had only small sales of that beer marked "Budweis" in a restricted area limited largely to the vicinity of Philadelphia, which terminated in about 1921, when it was padlocked by the Federal authorities for violation of the Prohibition Law.

[1] There is no truth in respondent's assertion that petitioner's representatives collected and destroyed records of importations of European beer to this country. The record cited by respondent clearly shows the contrary. Mr. Ingamells, of petitioner's general counsel, testified to destroying two things only, viz., the memorandum given to him by his since-deceased senior law partner, in connection with his trip to Europe (R. 804a-805a), and specimens of infringing advertising put out by New York importers after repeal (Dep. of Ingamells, St. Louis, January 28, 1947, pp. 83-84, cited by respondent, though not designated as a part of the record).

Further, it must be remembered as the District Court found, that beer from Budweis was practically unknown in this country, and this was necessarily so because it had only two breweries, one small and the other of medium size, rather than fifty-two as claimed by respondent, and that among purchasers of beer probably every one knew "Budweiser" as indicating Anheuser-Busch's beer (R. 934a, 935a, 938a).